

**REPORT OF THE AUDITOR-GENERAL TO THE LIMPOPO PROVINCIAL LEGISLATURE  
AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE  
INFORMATION OF THE GREATER LETABA MUNICIPALITY FOR THE YEAR ENDED 30  
JUNE 2009**

**REPORT ON THE FINANCIAL STATEMENTS**

**Introduction**

1. I have audited the accompanying financial statements of the Greater Letaba Municipality which comprise the statement of financial position as at 30 June 2009, the statement of financial performance and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages \_ to\_.

**The accounting officer's responsibility for the financial statements**

2. The accounting officer is responsible for the preparation of these financial statements in accordance with the entity specific basis of accounting as set out in accounting policy note 1.1 and in the manner required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**The Auditor-General's responsibility**

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing read with General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

7. In my opinion the financial statements present fairly, in all material respects, the financial position of the Greater Letaba Municipality as at 30 June 2009 and its financial performance and its cash flows for the year then ended, in accordance with the basis of accounting as set out in accounting policy note 1.1 and in the manner required by the MFMA.

### **Emphasis of matter**

8. Without qualifying my opinion, I draw attention to the following matters:

### **Basis of accounting**

9. The municipality's policy is to prepare financial statement on the entity specific basis of accounting as set out in accounting policy note 1.1.

### **Fruitless and wasteful expenditure**

10. As disclosed in note 25 to the financial statements, the municipality incurred fruitless and wasteful expenditure amounting to R 74,000 in replacing a petrol pump on a sewer truck that had been purchased.
11. As disclosed in note 25 to the financial statements, the municipality incurred fruitless and wasteful expenditure amounting to R1,753 in respect of legal fees to enforce registration of the sewer truck by the seller.
12. As disclosed in note 25 to the financial statements, fruitless and wasteful expenditure amounting to R 39,940 was incurred by the municipality in purchasing electrical equipment that was excess to requirements.

### **Other matters**

#### **Governance framework**

13. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting officer and executive management and key governance responsibilities addressed below:

#### **Key governance responsibilities**

14. The MFMA tasks the accounting authority with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
<b>Clear trail of supporting documentation that is easily available and provided in a timely manner</b>			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.	✓	
<b>Quality of financial statements and related management information</b>			
2.	The financial statements were not subject to any material amendments resulting from the audit.		✓
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.		✓
<b>Timeliness of financial statements and management information</b>			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines section 126 of MFMA	✓	
<b>Availability of key officials during audit</b>			
5.	Key officials were available throughout the audit process.	✓	

No.	Matter	Y	N
<b>Development and compliance with risk management, effective internal control and governance practices</b>			
6.	Audit committee		
	<ul style="list-style-type: none"> <li>The department had an audit committee in operation throughout the financial year.</li> </ul>	✓	
	<ul style="list-style-type: none"> <li>The audit committee operates in accordance with approved, written terms of reference.</li> </ul>		✓
	<ul style="list-style-type: none"> <li>The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.</li> </ul>		✓
7.	Internal audit		
	<ul style="list-style-type: none"> <li>The department had an internal audit function in operation throughout the financial year.</li> </ul>		✓
	<ul style="list-style-type: none"> <li>The internal audit function operates in terms of an approved internal audit plan.</li> </ul>		✓
	<ul style="list-style-type: none"> <li>The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.</li> </ul>		✓
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.	✓	
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.	✓	
10.	The information systems were appropriate to facilitate the preparation of the financial statements.	✓	
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out section 62(c)(i) and 95(c)(i) of the MFMA.		✓
12.	Delegation of responsibilities are in place, as set out in section 106 of the MFMA.	✓	
<b>Follow-up of audit findings</b>			
13.	The prior year audit findings have been substantially addressed.	✓	
<b>Issues relating to the reporting of performance information</b>			
14.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		✓
15.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		✓
16.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the Greater Letaba Municipality against its mandate, predetermined objectives, outputs, indicators and targets as set out in section 87 of the MFMA.		✓
17.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.		✓

15. Due to a lack of appropriate skills within the municipality and ineffective audit committee the financial statements were not adequately reviewed for quality prior to submission for audit.
16. Council did not fulfilled their duty as no assessment on the effectiveness of the audit committees could be obtained, furthermore no proof could be obtained that the Audit Committee Charter was submitted to council for approval

17. Due to capacity problems the internal audit function substantially could not fulfill its responsibilities for the year, as set out in section 165(2) of the MFMA. This matter was only addressed in the latter part of the year with the outsourcing of this function to SAB&T.
18. The municipality did not implement a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted.

#### **Unaudited supplementary schedules**

19. The supplementary information set out on pages xx to xx does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

#### **Report on performance information**

20. I have reviewed the performance information as set out on pages \_ to \_.

#### **The accounting officer's responsibility for the performance information**

21. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality, prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

#### **The Auditor-General's responsibility**

22. I conducted my engagement in accordance with section 13 of the PAA read with General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008 and section 45 of the MSA.
23. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
24. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the review findings below.

#### **Findings on performance information**

##### **No reporting of performance information**

25. The annual report of the Greater Letaba Municipality did not include the annual performance report of the municipality, prepared by the municipality in terms of section 46 of the MSA, as required by section 121(3)(c) of the MFMA.

##### **Internal auditing of performance measurements**

26. The municipality did not develop and implement mechanisms, systems and processes for auditing the results of performance measurement as part of its internal audit processes, as required in terms of section 45 of the MSA.

**Lack of adoption or implementation of a performance management system**

27. The municipality did not implement a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players, as required in terms of regulations 7 and 8 of the Municipal Planning and Performance Management Regulations, 2001.

**Non-compliance with regulatory requirements**

28. The Greater Letaba Municipality did not appoint and budget for a performance audit committee, neither was another audit committee utilised as the performance audit committee.

**APPRECIATION**

29. The assistance rendered by the staff of the Greater Letaba Municipality during the audit is sincerely appreciated.

*Auditor-General.*

Polokwane

30 November 2009



*Auditing to build public confidence*